WASATCH
CAPITAL MANAGEMENT OF
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"The bad news is, I accidentally put all of your money into a hedgehog fund. The good news is, they're cute little buggers!"

FEBRUARY 2020

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It's the Economy -Article by Mark Lazar

***A nation is not made wealthy by the accumulation of shiny metals, but it is enriched by the economic prosperity of its people*—Adam Smith**

What a difference a year makes. Unlike 2018, when markets had a dismal November/December, and finished negative virtually across the board, 2019 surprised to the upside—in a big way. Investors were richly rewarded, with equities generally returning between 15–30%. Even fixed income had a banner year.

Sir Isaac Newton's first law of motion states, *an object in motion stays in motion*, and that's certainly been the case with the stock market. Last year's momentum has carried into 2020, at least for domestic equities and bonds. Impeachment, Coronavirus, the Iowa caucus debacle—none of which were able to derail the longest bull market in US history:

Item	Data point
S&P 500 Return YTD	3.00%
Bond Index Return YTD	1.86%
Foreign Index Return YTD	-0.33%
Emerging Market Index YTD	-2.06%
U.S Forecast GDP 2020	2.10%
Unemployment Rate	3.60%

**All hyperlinked data as of 2/7/2020*

James Carville (AKA the "Ragin' Cajun), Bill Clinton's campaign strategist, coined the phrase, "[It's] The economy, stupid." It was a flippant but poignant rejoinder to Republican attacks on Clinton's character. The GOP was baffled by President Clinton's Teflon approval ratings despite the accusations, scandals, and impeachment. But Americans were keenly aware the U.S. economy was strong, inflation was contained, home values were rising, and the stock market was hitting record highs, as were their 401K plans. Regardless of what side of the political aisle a person stood on, Americans were enjoying unprecedented prosperity and they were pretty sure President Clinton had something to do with it.

January's key economic data included:

- Total nonfarm employment rose by 225,000, thumping the consensus estimate of 165,000
- Average hourly earnings are up 3.1% year-over-year
- Oil plunged $14/barrel over the past ten months, meaning lower prices at the pump in 2020
- The ISM Manufacturing Index rose to 50.9 in January, handily beating the forecast 48.5
- The production index jumped to 54.3 from 44.8 in December
- The New Orders Index increased to 52 from 47.6 the prior month
- The Employment Index increased 1.4 points

As much as the talking heads on the radio, TV, or your favorite newspaper want to convince you that their view/spin reflects reality, I would argue the economy isn't Washington DC. Rather, it's right here on Main Street; it's our local shopping centers, restaurants, small business, industrial centers, developers, and builders. I travel the country and everywhere I go, airports are busy, shopping center parking lots are full, restaurants have waiting lists, and cranes and construction equipment are ubiquitous.

Americans would be well-served to spend less time obsessing about American polity, and more time enjoying unrivaled prosperity and economic expansion. The stock market, which is forward-looking, is clearly optimistic about 2020. I suspect Mr. Market recalls The Ragin' Cajun's tongue-in-cheek reproach all too well.

Wasatch Team Updates

Mark

Mark & Savina visiting friends in Florida.

John

John & Shawn celebrating John's January Birthday!

Beth

Beth & her daughter, Ashley, celebrating winter!

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